

Exhibit C

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE
- - -

In Re: : Chapter 11
: :
: Case No.
W.R. GRACE & CO., et al, : 01-01139 JKF
: :
: (Jointly
Debtors : Administered)

- - -
Thursday, May 7, 2009
- - -

Oral deposition of GEORGE L.
PRIEST, taken pursuant to notice, was
held at the offices of DRINKER BIDDLE &
REATH, Two Logan Square, 18th & Cherry
Streets, Philadelphia, Pennsylvania
19103, commencing at 10:18 a.m., on the
above date, before Lori A. Zabielski, a
Registered Professional Reporter and
Notary Public in and for the Commonwealth
of Pennsylvania.

- - -
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1 it incorporates principles of insurance
2 neutrality, various features of the Plan
3 severely affect the rights of Grace's
4 insurers and the economic function of
5 their insurance policies."

6 Did I read that correctly?

7 A. Yes, you did.

8 Q. Is it fair to read that as a
9 sort of lead-in, a conclusory lead-in to
10 the specific statements that you make
11 later in the report as opposed to being
12 some sort of stand-alone statement?

13 A. Yes. It's meant to be a
14 lead-in or a summary description of what
15 is going to follow.

16 Q. When you use the phrase
17 "insurance neutrality" in that sentence,
18 how are you using that term? What does
19 it mean?

20 A. Well, I was using the term
21 to refer to, I think it's, Section or is
22 it Title 7 of the First Amended Plan.
23 But as a economic concept, insurance
24 neutrality means the various features of

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1 the Plan will have no effect, one way or
2 another, on underlying insurance.

3 Q. Is insurance neutrality a
4 term used in the economic profession?

5 A. I don't think it would be
6 unknown in the economic profession. I
7 wouldn't say it's a concept that's used
8 frequently.

9 Usually, in economics, we
10 talk directly about effects on rather
11 than to summarize it through the word
12 "neutrality." But I think any economist
13 would understand what is meant here.

14 Q. But it's not a technical
15 economic term; it's a term that is sort
16 of a nonspecifically defined term in
17 economic literature that you believe
18 economists would understand what it means
19 as a matter of sort of common usage? Or
20 is it --

21 MR. BROWN: Object to form.

22 MR. LOCKWOOD: Let me
23 finish.

24 BY MR. LOCKWOOD:

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1 Q. Or does it have some sort of
2 technically understood definition that
3 one could turn to and cite economic
4 literature in which the definition
5 appears?

6 A. I don't think it's defined.
7 It's not a term used commonly in
8 economics or it's not a term of art in
9 economics. It's not defined
10 specifically. Nevertheless, I think any
11 economist would understand that it meant
12 no effect, one way or the other, on the
13 underlying insurance. But it's not an
14 economic term in that sense.

15 Q. You made some reference to
16 the usage of the term in the Plan and
17 just to focus a little bit on that.

18 Directing your attention to
19 paragraphs 52 and 53 and 54 of your
20 expert report, is that the portion of
21 your report where the term "insurance
22 neutrality," as you referred to it in
23 paragraph 18, is addressed?

24 A. Yes.

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1 Q. Again, in an effort not to
2 spend time unnecessarily in preliminary
3 matters, with respect to paragraph 19, is
4 it, again, fair that the statements made
5 in paragraph 19 are, in essence, summary
6 and conclusory statements about matters
7 that are discussed in more detail and the
8 bases for which are presented in more
9 detail later in the report?

10 A. Yes, exactly. You will see
11 paragraphs 18 and 19 under the section
12 entitled Initial Statements of Opinion.
13 So, yes, it's meant to be an introduction
14 to the remainder of the report.

15 Q. You make statements under
16 the heading Economic Structure of
17 Liability Insurance in paragraphs 20 and
18 21 and 22 of your report about the
19 economic structure, as you see it, of
20 liability insurance.

21 Is it fair to say that these
22 statements are at a very high level of
23 generality as opposed to, for example,
24 addressing W.R. Grace's relationship with

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1 its insurers specifically.
 2 A. Yes, I think that's fair.
 3 Q. Have you done any
 4 investigation or review of the insurance,
 5 for want of a better word, what I will
 6 call insurance position or status of W.R.
 7 Grace under its CGL policies as of the
 8 time it filed for bankruptcy?
 9 MR. BROWN: Object to the
 10 form.
 11 THE WITNESS: I am not sure
 12 what you mean by insurance
 13 position or status.
 14 BY MR. LOCKWOOD:
 15 Q. Well, okay. Let me be more
 16 specific.
 17 Do you have any knowledge as
 18 to how Grace and its insurers were
 19 handling claims against Grace in the tort
 20 system in terms of insurance coverage and
 21 insurer involved in that process as of
 22 the date that Grace entered bankruptcy?
 23 MR. BROWN: Object to the
 24 form.

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1 THE WITNESS: I have no
 2 personal knowledge of that at all.
 3 I believe the attorneys, one or
 4 more of the attorneys for whom
 5 have retained me, indicated that
 6 some insurers have made agreements
 7 with Grace for Grace to conduct
 8 its own defense. But that's all.
 9 I don't know anything about beyond
 10 simply that statement, and I am
 11 not sure that statement -- I have
 12 no way of verifying or
 13 contradicting that statement
 14 itself. But that's all I know
 15 about it.
 16 BY MR. LOCKWOOD:
 17 Q. So, for example, if Grace
 18 was paying out of its own pocket and not
 19 through insurance more than 50 percent of
 20 the judgment and settlement and defense
 21 costs that it was incurring as of the
 22 date of bankruptcy because of exhaustion
 23 of coverage, gaps in coverage,
 24 insolvencies of insurers, you don't know

1 anything about that; is that correct?
 2 A. No, I don't have specific
 3 knowledge of that at all.
 4 Q. In paragraph 22 of your
 5 report, you state, quote, In the context
 6 of a liability claim, and according to
 7 our system of tort law, there is an
 8 adversarial relationship between insurers
 9 and the policyholder on one side, and the
 10 claimants on the other.
 11 What do you mean by that?
 12 A. Just for the record, you
 13 added one word to it.
 14 Q. I am sorry.
 15 A. It's not important.
 16 What I am is that where a
 17 claim of liability is filed against a
 18 policyholder who has insurance which may
 19 cover that, provide coverage for that
 20 claim, the structure of the insurance
 21 policy provides that the insurer and the
 22 policyholder will look together on one
 23 side in response to the claimant on the
 24 other side.

1 Q. But there are instances in
 2 which on the basis of particular facts,
 3 that dichotomy of insurer/insured on the
 4 one side and the claimant on the other
 5 side does not necessarily hold true, even
 6 from an economic perspective, aren't
 7 there?

8 MR. BROWN: Object to the
 9 form.

10 THE WITNESS: I can't think
 11 of them to be honest with you. I
 12 am not sure that there are.

13 BY MR. LOCKWOOD:

14 Q. Well, let's assume that a
 15 claim is made under a policy and the
 16 insurer believes that it's covered by the
 17 policy and the insured believes that it's
 18 not. Are the insurer and insured linked
 19 economically with respect to how that
 20 claim should be handled?

21 A. Well, they are once the
 22 coverage decision is made. Certainly, as
 23 between an insurer and a policyholder,
 24 there can be differences. But once the

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1 THE WITNESS: That's fine.
 2 That wouldn't affect my answer.
 3 BY MR. LOCKWOOD:
 4 Q. Similarly, with respect to
 5 paragraph 30 -- strike that.
 6 You address a requirement of
 7 insurer consent to assignment of policy
 8 rights in paragraph 30 of your report,
 9 correct?
 10 A. I do.
 11 Q. You are aware that the
 12 extent of which that right which on its
 13 face in the policy is asserted to be
 14 absolute is, in fact, the subject of
 15 varying state law decisions in
 16 jurisdictions over the circumstances
 17 under which assignments can be made by
 18 insureds without the consent of insurers,
 19 are you?
 20 A. Yes, I am aware of that.
 21 Q. So as to this paragraph, you
 22 are simply -- let me ask it this way:
 23 First, this paragraph is not intended by
 24 you to contain legal opinions about the

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1 extent to which these provisions in CGL
 2 policies are or are not enforceable as a
 3 matter of state law; is that correct?
 4 A. Absolutely.
 5 Q. And, indeed, this
 6 discussion, as you have indicated
 7 earlier, has to do with your views as to
 8 the economic impact of the provision and
 9 the perceived need for it to be
 10 enforceable; is that correct?
 11 A. I view the question of
 12 enforceability as a legal question. What
 13 I am trying to explain here is the
 14 economic basis for the assignment of
 15 responsibilities in the way that the
 16 policy assigns them.
 17 So it's economic analysis,
 18 but I don't reach the question of what's
 19 enforceable and what isn't enforceable.
 20 That's a legal opinion. That would be
 21 calling for a legal opinion.
 22 Q. Well, you have a sentence in
 23 here, the second sentence in paragraph 30
 24 that talks about or states, quote,

1 Requiring insurer consent to assignment
 2 ensures that the risks undertaken by the
 3 insurer under the policy not be increased
 4 by a policyholder's action without the
 5 insurer's consent.
 6 Have I read that correctly?
 7 A. Yes, you have.
 8 Q. What risks undertaken by the
 9 insurer under the policy are you
 10 referring to?
 11 A. The risks of paying out
 12 liability payments, the risk of paying
 13 indemnity.
 14 Q. So it's the risk to the
 15 insurer as opposed to the risk to the
 16 insured that you are discussing here?
 17 A. Exactly. It says that, the
 18 risks undertaken by the insurer, in the
 19 sentence you read.
 20 Q. Well, is it not true that
 21 one of the purposes of CGL liability
 22 policies is that the insured, in exchange
 23 for the payment of a premium, is getting
 24 the insurer to agree to, in effect,

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1 assume the risks of the insured with
 2 respect to whatever activities are
 3 covered by that policy?
 4 A. Yes.
 5 Q. So, essentially, we have got
 6 two kinds of risks: We have got the risk
 7 to the insured that the insurer
 8 undertakes to cover; and we have got the
 9 risk to the insurer that the agreement to
 10 cover the first set of risks will cause
 11 the insurer to have to pay money.
 12 Is that a fair breakdown of
 13 the risks?
 14 A. No, I don't think it's fair.
 15 The first part -- I would
 16 say the first part of your sentence was
 17 fair. The risk, as I have it -- this is
 18 not exact, but the risk to the policy
 19 that had insurer has undertaken to cover.
 20 That's the risk I am talking about.
 21 So it's a risk to the
 22 policy, although, which if it's covered,
 23 becomes a risk to the insurer. It's the
 24 same risk. It's not a different risk. I

<p style="text-align: right;">Page 142</p> <p>1 off the record at this time.)</p> <p>2 - - -</p> <p>3 (There was a luncheon recess</p> <p>4 from 1:28 p.m. to 2:06 p.m.)</p> <p>5 - - -</p> <p>6 AFTERNOON SESSION</p> <p>7 - - -</p> <p>8 BY MR. LOCKWOOD:</p> <p>9 Q. We talked briefly about</p> <p>10 paragraph 43 before the break, Professor</p> <p>11 Priest, and I am going to ask you some</p> <p>12 questions about the next succeeding</p> <p>13 paragraphs where you talk about various</p> <p>14 provisions in the Plan, and specifically</p> <p>15 let's use paragraph 44 as a starting</p> <p>16 point.</p> <p>17 You are discussing there the</p> <p>18 TDP and its payment matrix and the fact</p> <p>19 that it hasn't been consented to by the</p> <p>20 insurers. And you, in substance, say</p> <p>21 that's a, quote, direct violation of the</p> <p>22 economic allocation of rights in the</p> <p>23 policies and violate the economic</p> <p>24 principle of comparative advantage, close</p>	<p style="text-align: right;">Page 144</p> <p>1 with the resolution of these</p> <p>2 claims.</p> <p>3 If Grace has worked out a</p> <p>4 better deal than could be done,</p> <p>5 than they had been achieving in</p> <p>6 other contexts, maybe the insurers</p> <p>7 would agree to the matrix and to</p> <p>8 the settlement of the claims on</p> <p>9 that basis. But, again, for good</p> <p>10 economic reasons, that's their</p> <p>11 right.</p> <p>12 BY MR. LOCKWOOD:</p> <p>13 Q. So from your perspective,</p> <p>14 what you are saying is that,</p> <p>15 economically, the actual outcome of</p> <p>16 claims resolution under the TDP is</p> <p>17 irrelevant; what matters is that the TDP</p> <p>18 by its terms was not presented to and</p> <p>19 agreed to by the insurers, end of</p> <p>20 discussion?</p> <p>21 A. Not that it's irrelevant.</p> <p>22 According to the economic analysis, the</p> <p>23 TDP and the matrix is likely to be</p> <p>24 different if the insurers were involved</p>
<p style="text-align: right;">Page 143</p> <p>1 quote.</p> <p>2 First, I think you testified</p> <p>3 earlier that you have no basis for</p> <p>4 comparing the provisions in the matrix</p> <p>5 with the criteria and values utilized by</p> <p>6 Grace and its insurers for settling</p> <p>7 claims prior to its bankruptcy petition?</p> <p>8 MR. BROWN: Object to form.</p> <p>9 BY MR. LOCKWOOD:</p> <p>10 Q. Is that correct?</p> <p>11 A. I said I had no factual</p> <p>12 basis for making that comparison, yes.</p> <p>13 Q. So, as far as you know, the</p> <p>14 TDP matrix could actually be more strict</p> <p>15 or stringent than the criteria that Grace</p> <p>16 and its insurers were using prior to the</p> <p>17 bankruptcy?</p> <p>18 MR. BROWN: Object to form.</p> <p>19 THE WITNESS: That question</p> <p>20 misses the nature of my economic</p> <p>21 analysis. The economic analysis</p> <p>22 is that the allocation of economic</p> <p>23 rights in the policies give the</p> <p>24 right to the insurer to associate</p>	<p style="text-align: right;">Page 145</p> <p>1 than if the insurers are not involved.</p> <p>2 That's what the burden of the report is.</p> <p>3 So it's not that the outcome of is</p> <p>4 irrelevant. It's likely to be different</p> <p>5 for the good economic reasons I present</p> <p>6 in the report.</p> <p>7 Now, we don't know because</p> <p>8 the insurers weren't given an opportunity</p> <p>9 to become involved. But you can ask a</p> <p>10 counterfactual question. If Grace is</p> <p>11 getting such a great deal with this</p> <p>12 matrix and with the TDPs, why did it not</p> <p>13 involve the insurers and get their</p> <p>14 consent, and all of this would have gone</p> <p>15 away.</p> <p>16 Q. Is part of economic analysis</p> <p>17 consideration of opportunistic behavior?</p> <p>18 A. Yes.</p> <p>19 Q. And so have you made any</p> <p>20 analysis of whether or not it would be in</p> <p>21 the economic advantage of insurers to</p> <p>22 attempt to adopt an unreasonable position</p> <p>23 toward consenting to either a settlement</p> <p>24 or claims handling procedures or an</p>

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1 Q. Well, to the extent that
2 it's not hortatory, does it express
3 anything more than your personal opinion
4 that settling disputes is better than
5 litigating them?

6 A. It depends upon the terms.
7 I don't have a personal opinion about the
8 preference of settlement over litigation.

9 Q. Well --

10 A. Settlement often is more
11 efficient than litigation. I am all for
12 that. Other times, litigation is the
13 appropriate way to resolve cases.

14 Q. Well --

15 A. I have just studied the
16 process of settlement and litigation.

17 Q. Doesn't this sentence say
18 that the more realistic resolution of
19 these issues is to have Grace and the
20 insurers and the other Plan proponents
21 reach some kind of a settlement?

22 A. Yes. That's the more
23 realistic resolution from an economic
24 standpoint.

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1 Q. But, as you sit here today,
2 you have no personal knowledge or ability
3 to describe what that settlement would be
4 or the likelihood that the parties could
5 agree to it; is that correct?

6 A. From a factual standpoint,
7 that's correct. But, again, it's
8 something I view, for good economic
9 reasons, commanded by the insurance
10 policies and something that should have
11 been attempted or perhaps should be
12 attempted in the future.

13 Q. Is it fair to say that if I
14 asked you similar questions about
15 paragraph 46 of the TDP relating to
16 whether or not the insurance neutrality
17 provisions of the Plan apply to the
18 contractual breach assertions that you
19 make in paragraph 46, that your answers
20 would be the same as we just went through
21 with respect to paragraph 44?

22 MR. BROWN: Object to the
23 question on the basis of the term
24 "similar questions." I don't know

1 what that means.

2 MR. LOCKWOOD: Okay. We
3 will do it the long way.

4 THE WITNESS: Could I just
5 respond to the question one way?
6 I don't think I refer in paragraph
7 46 to contractual breach, which I
8 regard as a legal opinion.

9 BY MR. LOCKWOOD:

10 Q. Well, let me put it to you
11 this way: You say in paragraph 46 that
12 the Plan overturns economic relationships
13 in Grace's insurance policies, and then
14 you go on.

15 When you say the Plan
16 overturns the economic relationships, and
17 putting aside whether that's a legal
18 opinion, but from an economic point of
19 view, even if the insurance neutrality
20 provisions preserve the insurers' rights
21 to argue that they don't have to pay on
22 any of their policies as a result of
23 Section 8.1 of the TDP, you would still
24 be of the view that the Plan was not

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1 insurance neutral from an economic
2 perspective; is that correct?

3 A. I see the point of your
4 question.

5 First of all, you began the
6 question with putting aside the legal
7 opinion. Well, I don't want to put aside
8 the legal opinion. I don't want to
9 render a legal opinion. Far from putting
10 it aside, I want to eliminate it from the
11 discussion.

12 When I use the term
13 "overturn the economic relationships," I
14 mean that in an economic sense, not in a
15 legal sense. A court can decide whether
16 overturning the economic relationships
17 has legal significance.

18 But with regard to the
19 remainder of your question about
20 insurance neutrality and the provision
21 that insurers can have a total coverage
22 defense for the overturning of these
23 relationships, my answer would be the
24 same as we had before.

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MR. LOCKWOOD: I am asking him for whatever opinion in whatever form he feels prepared to express it since I have grave trouble distinguishing between his economic opinions and his legal opinions.

THE WITNESS: I can't answer that. First, I am not going to answer it as a legal opinion. I can distinguish between my economic opinions and my legal opinions, and I have been throughout my report and throughout the testimony today.

But I certainly wouldn't answer that as a legal opinion. I will tell you the truth. I don't know whether that coverage defense would be preserved or not. I think it would depend to some extent on the nature of the confirmation hearing and the testimony with regard to

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confirmation. I honestly don't know -- I don't think there is an answer to that question.

BY MR. LOCKWOOD:

Q. But, in any event, you are prepared to let Judge Fitzgerald decide that; you are not here to tell her how to decide it?

A. I am certainly not.

Q. In paragraph 50, the last sentence -- strike that. Let me back up one paragraph.

You say, "Grace's insurers also cannot rely on an ex-post evaluation by a court as to the 'reasonableness' of settlements that the Trust might enter. As discussed, the exclusion of insurers from the process of claims settlement will invariably affect settlement results."

With respect to the second sentence, the "will invariably affect settlement results," you are not in the position through your examination of

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Grace's pre-petition settlement history and the matrix provisions of the TDP to say whether the exclusion of insurers from the latter will result in more or less money being paid by insurers, are you?

A. As a factual matter, no. As an economic, analytical matter, yes.

Q. And as an economic and analytical answer you just gave as yes is because you believe that, in principle, the participation of insurers and the economic insurers that incentives have in dealing with claims by definition will always result in some form of different outcome than what would have occurred if the insurers had not participated; is that right?

A. Well, just to clarify the question, I think you meant the economic insurer -- economic incentives that insurers have.

Q. I thought that's what I said, but if I didn't, yes, that's what I

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meant.

A. You said insurer incentives that economic -- I think you meant it the other way.

Q. What I meant was because of the -- let me rephrase it.

You can't tell whether the results would be greater or less because you haven't done a factual analysis; your economic opinion is that the results would be effective because you believe that participation by insurers with the economic incentives that insurers have that you have testified about will invariably produce a different result from a settlement from which those insurers are excluded?

A. Correct.

Q. Is it also your testimony that from an economic perspective that different result will always be less favorable to insurers?

A. I would say generally less favorable to insurers. I don't know

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1 always in an empirical sense but
 2 generally less favorable to insurers.
 3 See, here is our difference.
 4 I am starting to see this now what's
 5 going on here. We know there are some
 6 set of insurers that are objecting to the
 7 matrix and to the settlement and to the
 8 Plan.

9 Now, if this were so much
 10 better a deal than they could have gotten
 11 if Grace had not sought bankruptcy and
 12 continued to litigate, my question would
 13 be why are they objecting to this? Now
 14 your answer appears to be, well, they are
 15 engaged in opportunistic behavior, and
 16 they are trying to exploit the
 17 circumstance of the insolvency to get a
 18 yet even better deal. That's our
 19 difference.

20 So I am not -- I don't see
 21 the evidence of opportunistic behavior,
 22 and so barring the presentation of that
 23 evidence, I think my economic analysis
 24 that it would be less favorable to the

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1 insurers than if the insurers were
 2 involved continues to hold.
 3 Q. But your inability to see
 4 evidence is, in large part, the result of
 5 your failure to have examined any
 6 evidence, one way or the other; you are
 7 just making economic assumptions about
 8 the generalities of insurer conduct and
 9 the generalities of insured's conduct and
 10 the economic incentives you associate
 11 with those generalities? Isn't that
 12 true?

13 A. Yes, I am presenting -- I
 14 was asked to present a general economic
 15 analysis of the situation, yes.

16 Q. Turning to paragraph 50, the
 17 last sentence of this and the last clause
 18 in the last sentence of paragraph 50
 19 states that the assignment of Grace's
 20 policy rights to the Trust, quote, puts
 21 control of the settlement process in the
 22 hands of the Trust whose fiduciaries have
 23 every incentive to pay all asbestos
 24 claims, regardless of whether they are

1 deserving of payment.

2 Now, you are aware from
 3 reading the Plan, I take it, and the
 4 Disclosure Statement that the Trust is
 5 going to have a limited amount of assets
 6 to begin with, correct?

7 A. Yes.

8 Q. And you are also aware that
 9 it is contemplated that those assets will
 10 have to be divided between people who
 11 presently have claims against Grace and
 12 people who will have claims in the
 13 future, correct?

14 A. Correct.

15 Q. And you are aware that the
 16 amount, number, and value of the future
 17 claims cannot be determined as of now,
 18 correct?

19 A. Correct. I expect it. I am
 20 sure it's true.

21 Q. And you are aware that the
 22 Trust does not propose to pay one hundred
 23 cents on the dollar to claims presented
 24 to it by present claimants, correct?

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1 MR. BROWN: Could you just
 2 read that back?

3 (The reporter read from the
 4 record as requested.)

5 MR. BROWN: Object to the
 6 form.

7 THE WITNESS: Yes, I am
 8 aware of that.

9 BY MR. LOCKWOOD:

10 Q. And you have stated
 11 elsewhere that the trustees of the Trust
 12 are fiduciaries, correct?

13 A. Yes, especially members of
 14 the Trust Advisory Committee.

15 Q. But you have acknowledged as
 16 to the latter that they do not have any
 17 role in the resolution of individual
 18 claims, correct?

19 A. Except as it comes -- as I
 20 understand it, except with regard to an
 21 amendment of the TDPs.

22 Q. Dealing with the TDPs as
 23 they presently exist, is it not true that
 24 the trustees have an obligation to

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1 other subsections of the same section?
 2 Do you think those are inconsistent?
 3 A. It could be drafted in a way
 4 that they are consistent. But what does
 5 this mean, notwithstanding the provisions
 6 of this Section 7.15? (G) is one of the
 7 provisions of 7.15.

8 Q. So you think it's a
 9 plausible, reading that, that lead-in
 10 essentially vitiates the subsection that
 11 it's contained in?

12 A. I hope it's not. I hope
 13 it's not interpreted that way. But I
 14 think it's confusing. It would have been
 15 clearer to say notwithstanding provisions
 16 of 7.15(a) through whatever that aren't
 17 affected by 7.15(g). But it wasn't done
 18 that way.

19 So you have got
 20 notwithstanding the provisions of Section
 21 7.15, including 7.15(g), here is what
 22 7.15(g) does. That seems, to me, to be,
 23 with all respect, a style that could be
 24 improved.

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1 Q. Putting aside whether it
 2 could be improved, which I don't want to
 3 debate with you, do you really think
 4 anybody could read that lead-in as
 5 saying, notwithstanding the provisions of
 6 this section, 7.15(g), which is the
 7 section in which the language is
 8 appearing, this language applies; so it's
 9 simultaneously creates the language, and
 10 then tells you that you get to ignore it?
 11 You are not really, as an economic
 12 expert, telling me that that you think is
 13 a fair reading of that section, are you?

14 A. It would not be the reading
 15 I would insist upon, but there are many
 16 contexts in insurance coverage disputes
 17 where exceptions in policies are
 18 basically ignored because they are
 19 exceptions to say an exclusion or they
 20 are provisions of exclusions that from
 21 which there is some slight exception.

22 Do you know litigation over
 23 the attorneys fees in an exclusion cases
 24 where there is an exclusion of coverage

1 of the insurance -- of attorneys fees
 2 with an exception -- it's not an
 3 exception. There is another provision
 4 that says something about especially no
 5 coverage of the policyholders staff
 6 attorneys fees where a policyholders have
 7 argued the exception to the exception
 8 means it's covered.

9 This is -- again, this is
 10 the least of our worries, the style
 11 problems. I think ambiguity is a real
 12 problem in 7.15, but I think the
 13 substitution of the coverage defense for
 14 the other ways of resolving rights and
 15 responsibilities under the policy are
 16 what's most at stake here.

17 Q. Okay. I think I have one
 18 more question related to paragraph 56,
 19 which is your conclusion.

20 You basically refer in the
 21 end of that paragraph to, quote, the
 22 severe economic prejudice of its
 23 insurers, close quote.

24 Just for the record, you

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1 haven't made any attempt to quantify what
 2 you mean by the severe economic prejudice
 3 of its insurers?

4 A. Correct. This is analytical
 5 statement.

6 MR. LOCKWOOD: I have no
 7 further questions.

8 - - -
 9 EXAMINATION
 10 - - -

11 BY MS. ESAYIAN:
 12 Q. My name is Lisa Esayan, and
 13 I represent W.R. Grace in these
 14 proceedings. Just a couple of questions.

15 Very earlier today in
 16 describing work that you had done for
 17 insurance companies, I believe one of the
 18 things you mentioned was work-related to
 19 estimating risks related to the expansion
 20 of tort liabilities.

21 I was wondering if you could
 22 expound upon that a little bit in terms
 23 of the work that you did.

24 A. Yes. As I indicated in my